

REIMBURSEMENT CONTRACTS

Adopted March 20, 1995 and October 20, 1996

The Omnibus Bond Authorization Act, in order to facilitate the funding of capital improvements by certain governmental units and political subdivisions of the state, has authorized the issuance of general obligation bonds contingent upon the applicable management board, governing body or state agency entering into and executing a reimbursement contract with the State Bond Commission pertaining to the reimbursement payments and reimbursement reserve account payments for such projects.

The execution of such reimbursement contracts does not in any way affect, restrict or limit the pledge of the full faith and credit of the state of Louisiana to the payment of the general obligation bonds issued pursuant to the authority of such act.

The state of Louisiana is obligated to the general obligation bondholder regardless of the existence of any reimbursement contracts between the state and any of its governmental units or political subdivisions, and likewise the governmental unit or political subdivision is obligated to make payment to the state of the money loaned under the reimbursement contracts, regardless of the current status of any general obligation bonds.

In some instances the prepayment of such reimbursement contracts can result in savings to such governmental units and political subdivisions, and to that end a clear and orderly process for entering into and prepaying reimbursement contracts will benefit both the state and the governmental units and political subdivisions utilizing such tax-exempt funds by insuring that funds are handled in such a manner as to maintain the tax-exempt status of any bonds issued in connection with the transaction. Therefore, the following is the policy of the Department of the Treasury, office of the State Bond Commission, to be considered relative to reimbursement contracts:

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TREASURY

Part III. Bond Commission

1. Any governmental entity or political subdivision borrowing money from the proceeds of a state general obligation bond issue shall, at the time the money is borrowed from the state, enter into a reimbursement contract as provided in the Omnibus Bond Authorization Act pursuant to which the bonds were issued, which reimbursement contract shall provide for the terms and conditions under which these funds shall be repaid by the governmental entity or political subdivision. At the time a reimbursement contract is executed for the underlying tax-exempt obligation, an IRS Form 8038G or Form 8038GC shall be prepared by the Attorney General and shall be executed by the recipient of the bond proceeds.
2. Any governmental unit or political subdivision which has entered into a reimbursement contract shall be allowed to prepay the reimbursement contract:
 - a. if the prepayment would result in a minimum net present value savings in accordance with Schedule A hereto; or
 - b. if economic and administrative benefits accrue to the governmental unit or political subdivision as a result of the prepayment as may be reasonably determined by the staff of the State Bond Commission; or
 - c. a prepayment characterized as a current refunding shall be permitted in any case.

3. A governmental unit or political subdivision wishing to prepay a reimbursement contract shall make such request in writing to the office of the State Bond Commission. The staff shall determine the amount due for prepayment, including principal and interest due less the amount of any reimbursement reserves. No redemption premium shall be charged to prepay a reimbursement contract unless such premium is needed to pay a corresponding redemption premium to the state's bondholders within 90 days of such prepayment.
4. The staff of the office of the State Bond Commission shall then send written notification to the chief financial officer or other appropriate official for the entity requesting prepayment setting forth the amount owed for prepayment. Copies of the notice shall be forwarded to the fiscal officer of the Department of the Treasury, the attorney general, and the Division of Administration. The chief financial officer or other official to whom the notice is sent shall verify in writing that they concur with the figures submitted in the written notice.
5. If application is made to the State Bond Commission for the issuance of refunding bonds, the proceeds of which are to be used for the prepayment of a reimbursement contract, a copy of the notification submitted pursuant to Section 4 above must be attached to the application. Upon receipt of such an application, the state debt analyst shall be immediately notified. The total amount due in order to prepay the reimbursement contract must be verified by the state debt analyst and made a part of the file. Once the amounts have been verified the usual procedure for approval of bond applications shall be followed.
6. After the recipient's refunding bonds have been sold, the applicant must contact the office of the State Bond Commission to arrange payment of the reimbursement contract. Prepayments must be accompanied by a certificate of the chief financial officer or bond counsel for the prepaying entity attesting to the correct arbitrage yield on the refunding bonds.
7. Upon delivery of the prepayment check, the state debt analyst shall fill out the parish and local government Reimbursement Contract Prepayment Receipt Log showing receipt of the money, where it is to be deposited and whether it is to be yield restricted to the rate of arbitrage yield certified to by the bond counsel for the prepaying entity (in the case of prepayments funded by a tax-exempt bond issue) or to the rate of the state bond issue (in the case of prepayments not funded with the proceeds of a tax-exempt bond issue, such as those funded from tax revenues or user fees). The proceeds received as prepayment of reimbursement contracts shall be deposited by the fiscal office, Department of the Treasury, into the state treasury in accordance with the designation shown on the form and shall be placed in the Capital Outlay Escrow Fund. Such funds shall be yield restricted as indicated above or yield reduction payments shall be made as necessary until such funds are expended in accordance with law. All interest earnings on such funds shall remain in the Capital Outlay Escrow Fund and shall be restricted to the same yield as the original prepayment deposit or yield reduction payments shall be made as necessary until all such earnings are expended along with the principal prepayment amount.
8. Upon deposit of the prepayment proceeds, the Fiscal Control Section of the Department of the Treasury shall notify the Division of Administration that funds are now available to be used in accordance with the Capital Outlay Bill for the current fiscal year. Such notification shall include a copy of the Reimbursement Prepayment Receipt Form.
9. The Division of Administration shall notify the Fiscal Control Section of the Department of Treasury when these funds have been allocated to a particular project. Such notification shall include the name of the project and the amount allocated.

THE APPROPRIATE THRESHOLD OF SAVINGS THAT SHOULD EXIST FOR AN ECONOMIC REFUNDING:

<u>MONTHS TO CALL</u>	<u>MINIMUM PRESENT VALUE SAVINGS TO REFUND</u>
0 - 12	Net Present Value Savings > 0
13 - 24	Net Present Value Savings > 1.5%
25 - 48	Net Present Value Savings > 3.0%
> 48	Net Present Value Savings > 5.0%

**CHECKLIST FOR COMPLIANCE WITH POLICY AND PROCEDURES
FOR PREPAYMENT OF REIMBURSEMENT CONTRACTS**

1. Name of entity _____

2. Identifying information on reimbursement contract:

Name _____

Series _____ Issue Date _____

Amount of Original Issue _____

Principal and Interest Payment Dates P _____ I _____

3. IRS Form 8038G or 8038GC executed? YES _____ NO _____

4. Net present value savings _____

5. Date request for prepayment approval received _____

6. Forwarded to State Debt Analyst II (date) _____

7. Cost of prepayment:

a. Principal \$ _____

b. Interest \$ _____

c. Redemption premium, if any \$ _____

d. Less Reserves \$ _____

e. Total amount due for prepayment \$ _____

8. Request for verification forwarded to Chief Financial Officer _____

(Copies to Division of Administration, Attorney General, Fiscal Control Section)

9. Verification received from Chief Financial Officer _____

10. Prepayment received on: (date) _____

11. Arbitrage yield certificate attached: YES _____ NO _____

12. Reimbursement Prepayment Receipt Form completed on _____

13. Funds deposited into Capital Outlay Escrow Account on _____

14. Yield restricted to rate of _____

15. Division of Administration notified of deposit on _____

**CHECKLIST FOR BOND APPLICATIONS WHEN BOND PROCEEDS
ARE TO BE USED FOR PREPAYMENT OF REIMBURSEMENT CONTRACTS**

1. Name of entity _____

2. Identifying information on reimbursement contract:

Name _____

Series _____ Issue Date _____

Amount of Original Issue _____

Principal and Interest Payment Dates P _____ I _____

3. State Debt Analyst notified by bond application (date) _____

4. Verification of prepayment amount received from SDA (date) _____